

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Edwards and Harding Petroleum Company
for Forced Pooling of Interest in a Drilling Unit
Affected by Well Number EH-27, VGOB 1218-70 in the
Sand Lick Magisterial District of Dickenson County, Virginia

This cause came on this 18th day of December, 1990, upon the application of Edwards and Harding Petroleum Company requesting that this Board pool the interests of well operators in the 123.47-acre (plus a tolerance of 15%) drilling unit in the formations underlying the Nora field in the Sand Lick Magisterial District of Dickenson County, Virginia. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given to each well operator of record having an interest in the oil and gas underlying the tracts within the drilling unit covered hereby as required by Section 45.1-361.19, Code of Virginia, 1950 as amended. The Board examined the Notice as given and further conducted inquiry into the sufficiency of Edwards and Harding Petroleum Company's search to determine the names and whereabouts of well operators who may be affected by the pooling of oil and gas interests in the drilling unit involved herein. The Board finds that Edwards and Harding Petroleum has exercised due diligence and has conducted a meaningful search of reasonably available sources at hand. The Board hereby approves the notice given, by publication and otherwise, as meeting the statutory requirements, rules of the Board and minimum standards of state and federal due process, and finds that notice has been

given in all respects as required by law and the rules of this Board. The Board notes that State Routes 80 and 83 and the Russell Fork Stream are included in the proposed unit. Edwards and Harding is directed to give the Virginia Department of Transportation and the Virginia Marine Resources Commission notice of this pooling application.

Based upon the evidence presented, the Board finds that Edwards and Harding Petroleum Company has acquired oil and gas leasehold interests in the drilling unit as described in the map, which is attached hereto as Exhibit "A" and made a part hereof, and has the right to conduct operations on its oil and gas leasehold interests. Based on the evidence presented, the Board finds that the following named persons were omitted in the original Order recorded on January 17, 1991 in Dickenson County Circuit Court and may be owners of oil and gas interests which are not subject to any oil and gas lease and who have not voluntarily agreed to pool their interests in the drilling unit involved herein for its development and operations:

1. (a) Alvin Puckett Heirs
c/o Jean Waitt
1402 Webster Drive
Southfield, MI 48076
- (b) Hugh Belcher
P. O. Box 1500
Clintwood, VA 24228
- (c) Dickenson County Board of Education
Attention: Gerald Triplett
Superintendent of Schools
P. O. Box 1127
Clintwood, VA 24228

(d) Becky Epling Estate
c/o Jane Kilgore
P. O. Box 111
Haysi, VA 24256

Based upon the evidence presented, the Board finds that, in order to avoid the drilling of unnecessary wells, prevent the various types of waste of oil and gas and protect the correlative rights of all well operators with respect to the pools in the drilling unit involved herein, the well operators involved who have not heretofore reached an agreement with respect to development and operation of the drilling unit covered hereby shall be required to pool their oil and gas interests and develop the pools in this drilling unit, upon the terms and conditions set out in this order, all of which terms and conditions are found, after consideration of the evidence presented in this cause, to be supported by substantial evidence and to be just, reasonable and equitable and such as will afford each operator in this unit the opportunity to recover or receive each such well operator's just and equitable share of production from this unit.

Based upon the evidence presented at the public hearing in this matter, the Virginia Oil and Gas Conservation Board orders as follows:

(1) The oil and gas interests of well operators, as named above, in this 123.47-acre (with a tolerance of 15%) drilling unit established in the lands involved herein for formations underlying the Nora Field are hereby pooled for the development and operation of this unit. Edwards and Harding Petroleum Company is hereby authorized to drill, complete and operate a well in this drilling

unit so as to produce oil and gas from the pooled acreage, consistent with the terms and provisions of its applicable well work permit.

(2) Each well operator involved herein, other than Edwards and Harding Petroleum Company, shall, within 30 calendar days after the date of mailing this Order, deliver to Edwards and Harding Petroleum Company, a written election either to participate in the operation of the well covered hereby or to exercise such well operator's right of election under this order as described below. A timely election shall be deemed to have been made if a well operator on or before the last day of such 30 calendar day period has sent such written election by telegram or telegraph to Edwards and Harding Petroleum Company at P. O. Box 2404, Abingdon, VA 24210 (703) 628-2380, or has had such written election duly postmarked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to Edwards and Harding Petroleum Company at the address set forth above. The alternatives afforded to the well operators of oil and gas interests herein pooled are set forth in either A or B, below, whichever is applicable.

(A) Each well operator herein pooled owning an oil and gas interest as to the formations underlying the Nora Field derived from an oil and gas lease covering any tract within the drilling unit involved herein is accorded the following options as to such interest:

(i) Participation: To participate in the working interest in and the development of the formations underlying the Nora Field in the drilling unit involved herein by agreeing to pay such well operator's proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of the well covered hereby and by paying as set forth herein, to Edwards and Harding Petroleum Company, such owner's proportionate part of the \$253,279.00 estimated cost of drilling, completing, equipping, operating, plugging and abandoning of the proposed well covered hereby. In lieu of such payment, furnishing to Edwards and Harding Petroleum Company security satisfactory to Edwards and Harding Petroleum Company for the payment thereof within 60 calendar days of the date of this order. A participating well operator's proportionate part of the anticipated cost of completion and share of the production from such well shall be in the proportion that the number of net mineral acres in the unit covered by the oil and gas rights owned by such party bears to the entire number of mineral acres in this unit; or

(ii) Carried interest: In lieu of participating in the working interest in and the development of the pools in this drilling unit, as set forth in subparagraph (i) above, to elect to share in the operation of the well covered on a carried basis (as a carried well operator) so that the proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of such well allocable to such carried well operator's interest is charged against such carried well operator's

share of production from such well. All of such carried well operator's oil and gas rights in the pools in the drilling unit involved herein are relinquished under this order to Edwards and Harding Petroleum Company until the proceeds from the sale of the share of production from such well accruing to such carried well operator's unleased oil and gas interest in the drilling unit involved herein, exclusive of any royalty, excess or overriding royalty, or other non-operating or non-cost bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such oil and gas interest, equals three hundred percent (300%) of the share of the cost of drilling and completing the well allocable to the oil and gas interest of such carried well operator; plus one hundred percent (100%) of the carried operator's share of the cost of surface equipment beyond the wellhead connection of such well allocable to the oil and gas interest of such carried well operator; plus one hundred percent (100%) of the share of the cost of operating such well allocable to the oil and gas interest of such carried well operator. Such carried well operator's proportionate part of the costs of, and the production from, the well covered hereby is to be in the proportion that the number of net mineral acres in the unit covered by the oil and gas interest owned by such carried well operator bears to the entire number of mineral acres in such unit. During the period of time Edwards and Harding Petroleum Company is entitled to receive such carried well operator's share of production or the proceeds therefrom, Edwards and Harding Petroleum Company shall pay all

applicable production, severance, excise, gathering and any other taxes based upon or measured by the value or amount of production and shall separately calculate and pay to such carried well operator for payment to the appropriate owner any royalty, excess or overriding royalty and any other non-operating or non-cost bearing burden reserved in any lease, assignment thereof or agreement relating thereto which is deducted from the share of production of such carried well operator. Such royalty, excess or overriding royalty and other non-operating or non-cost bearing burden is not to be subject to any charge for operating costs. Payment by Edwards and Harding Petroleum Company to such carried well operator of any such royalty, excess or overriding royalty or other non-operating or non-cost bearing burden shall be made within ninety (90) days after the end of the calendar month within which the production subject to such burdens is sold. Within sixty (60) days after the completion of the well covered hereby, Edwards and Harding Petroleum Company shall furnish such carried well operator an inventory of the equipment in and connected to such well and an itemized statement of the cost of drilling, completing and equipping such well for production; and for each month thereafter, during the time Edwards and Harding Petroleum Company is being reimbursed as provided above, Edwards and Harding Petroleum Company shall furnish to such carried well operator an itemized statement of all costs and liabilities incurred in the operation of such well, together with a statement of the quantity of oil and gas produced therefrom and the amount of proceeds

realized from the sale of the production allocable to such carried well operator's oil and gas interest in the unit during the preceding month. Edwards and Harding Petroleum Company shall also furnish to the State Gas and Oil Inspector for the Commonwealth of Virginia, copies of the same statements furnished to each carried well operator under the provisions hereof. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any operation on the well covered hereby which would have been owned by such carried well operator had such owner participated therein as a participating well operator shall be credited against the total uncovered well costs in determining when the interest of such carried well operator shall revert to such owner as described above. When Edwards and Harding Petroleum Company recovers from such carried well operator's relinquished interest provided for above, the relinquished interest of such carried well operator shall automatically revert to such owner, and from and after such reversion, such carried well operator shall be treated as a participating well operator and shall own the same interest in such well, the material and equipment in or pertaining thereto and the production therefrom, as such owner would have been entitled to had such owner participated initially as a participating well operator in the drilling, completing and equipping of such well; and thereafter, such owner shall be charged with and shall pay the owner's proportionate part of the further costs of the operation of such well.

(B) Each well operator herein pooled owning an oil and gas interest in the Nora Field in any tract in the drilling unit involved herein which interest is not subject to an oil and gas lease is hereby accorded the following options as to such interests:

(i) Participation: To participate in the working interest in and the development of the formations underlying the Nora Field in the drilling unit involved by agreeing to pay such well operator's proportionate part of the actual cost of drilling, completing, equipping, operating, plugging, and abandoning of the well covered hereby and by paying as set forth herein, to Edwards and Harding Petroleum Company such owner's proportionate part of the \$253,279.00 estimated cost of drilling, completing, equipping, operating, plugging and abandoning of the proposed well covered hereby. In lieu of such payment, furnishing to Edwards and Harding Petroleum Company security satisfactory to Edwards and Harding Petroleum Company for the payment thereof within 60 calendar days of the date of this Order. A participating well operator's proportionate part of the anticipated cost of completion and share of the production from such well shall be in the proportion that the number of net mineral acres in the unit covered by the oil and gas rights owned by such party bears to the entire number of mineral acres in this unit; or

(ii) Cash Consideration: In lieu of participating in the working interests in and the development of the pools in the drilling unit involved herein, to elect to receive a sum of FIVE

DOLLARS (\$5.00) per net mineral acre owned by such owner, plus a total royalty in the amount of one-eighth of eight eighths ($1/8$ of $8/8$ ths) of the oil, casinghead gas, gas and gas condensate produced from the well covered by this Order, the same to be delivered into the lease tanks or into the pipelines to which such well is connected, free and clear of all costs, expenses and risks incurred in or in connection with drilling, equipping, operating, completing, plugging and abandoning of such well. Any well operator elected this option shall deliver under this Order a net revenue interest of 87.50% of $8/8$ ths of the oil, casinghead gas, gas and gas condensate produced from the well covered by this Order, with such net revenue interest being determined by deducting from such owner's share of production the royalty provided for immediately above; and provided further, that such royalty of $1/8$ of $8/8$ ths and such net revenue interest of 87.50% of $8/8$ ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the drilling unit covered by the oil and gas rights owned by such well operator bears to the entire number of mineral acres in this unit; or

(iii) Carried Interest: In lieu of participating in the working interest in and the development of the pools in the drilling unit involved herein as set forth in subparagraph (i) above, or electing the option set forth in subparagraph (ii) above, to elect to share in the operation of the well covered hereby on a carried basis (as a carried well operator) so that the proportionate part of the actual cost of drilling, completing,

Neenah Bond

equipping, operating, plugging and abandoning of such well allocable to such carried well operator's interest is charged against such carried well operator's share of production from such well and that all of such carried well operator's oil and gas rights in the pools in the drilling unit involved herein are relinquished under this Order to Edwards and Harding Petroleum Company until the proceeds from the sale of the share of production from the well accruing to such carried well operator's unleased oil and gas interest in the drilling unit involved herein, equals two hundred percent (200%) of the share of the cost of drilling and completing the well covered hereby allocable to the unleased oil and gas interest of such carried well operator, plus one hundred percent (100%) of the share of the cost of surface equipment beyond the wellhead connection of such well allocable to the unleased oil and gas interest of such carried well operator; plus one hundred percent (100%) of the carried operator's share of the costs of operating such well allocable to such carried well operator. Such carried operator's proportionate part of the costs of, and the production from, the well covered hereby is to be in the proportion that the number of net mineral acres in the unit covered by the unleased oil and gas interest owned by such carried well operators bears to the entire number of net mineral acres in this unit. During the period of time Edwards and Harding Petroleum Company is entitled to receive such carried well operator's share of production or the proceeds therefrom, Edwards and Harding Petroleum Company shall pay all applicable production, severance, excise,

gathering and any other taxes based upon or measured by the value or amount of production.

Within sixty (60) days after completion of the well covered hereby, Edwards and Harding shall furnish such carried well operator an inventory of the equipment in and connected to such well and an itemized statement of the cost of drilling, completing and equipping such well for production; and each month thereafter, during the time Edwards and Harding Petroleum Company is being reimbursed as provided above, Edwards and Harding Petroleum Company shall furnish to such carried well operator, an itemized statement of all costs and liabilities incurred in the operation of such well, together with a statement of the quantity of oil and gas produced therefrom and the amount of proceeds realized from the sale of the production allocable to such carried well operators unleased oil and gas interests in such unit during the preceding month. Edwards and Harding Petroleum Company shall also furnish to the State Gas and Oil Inspector for the Commonwealth of Virginia, copies of the same statements furnished to each carried well operator under the provisions hereof. Any amount realized from the sale or other disposition of the equipment newly acquired in connection with any operation on the well covered hereby which would have been owned by the carried well operator, had such owner participated therein as a participating well operator, shall be credited against the total unrecovered well costs in determining when the interest of such carried well operator shall revert to such owner as described above. When Edwards and Harding Petroleum

Company recovers from such carried well operator's relinquished interest, the amount provided for above, the relinquished interest of such carried well operator shall automatically revert to such owner, and from and after such reversion, such carried well operator shall be treated as a participating well operator and shall own the same interest in such well, the material and equipment in or pertaining thereto and the production therefrom, as such owner would have been entitled to had such owner participated initially as a participating well operator in the drilling, completing and equipping of such well, and thereafter, such owner shall be charged with and shall pay such owner's proportionate part of the further costs of the operation of such well.

(3) In the event a well operator, either an owner of an oil and gas lease or an owner of an unleased tract, who is subject to the provisions of this Order shall fail to timely and properly elect, in writing, one of the applicable options as set forth above, such well operator shall be deemed to have elected not to participate in the working interest in the well covered hereby as to the pools involved herein and shall be deemed a carried well operator. In the event a well operator, either an owner of an oil and gas lease or an owner of an unleased tract, who is subject to the provisions of this Order shall elect to act as a participating well operator under 2.A.(i) or B.(i) above, whichever is applicable, but thereafter fail or refuse to pay or secure the payment of such well operator's proportionate part of the cost of

the well covered hereby as set forth in such provisions, such election to act as a participating operator under this Order shall be null and void and such well operator shall become a carried well operator consistent with the terms and provisions of this Order.

(4) Any well operator involved herein who has not appeared in response to the notice of hearing published pursuant to the provisions of Section 45.1-361.19, Code of Virginia, 1950, as amended, and whose identity or whereabouts remain unknown at the conclusion of the hearing in this matter shall be deemed to have elected to lease his interest to the coalbed methane to the well operator designated to drill as described in paragraph 4, under the same terms and conditions as set forth in paragraph 5B.(ii) above. The designated well operator shall deposit into a separate, distinct interest-bearing escrow account established by the Virginia Gas and Oil Board with the Treasurer of Virginia all proceeds attributable to the unknown lessor's interest. All sums so deposited shall be held for the unknown lessor's benefit and shall be deemed unclaimed property and disposed of pursuant to the Uniform Disposition of Unclaimed Property Act (Section 55-210.1 et seq.)

(5) Any cash bonus which becomes payable by Edwards and Harding Petroleum Company under the provisions of 2(B).(ii), above, shall be paid or tendered within thirty (30) days after the date of this Order; provided, however, if the owner entitled to such funds releases the same, or if such owner's interest in the unit involved in this cause has a defect or cloud in the title thereto,

or if such owner cannot be paid such funds for any reason whatsoever other than the reasons set forth in paragraph (4) above. Edwards and Harding Petroleum Company may deposit (credit) such funds due such party into an internal escrow account established in the accounting records of Edwards and Harding Petroleum Company and such funds shall be credited to such account for the benefit of such owner. Such funds so deposited (credited) in such escrow account shall be held for the benefit of the owner entitled thereto until such funds can be paid to such owner, or such owner accepts such funds, or until such title defect or cloud is cured or removed to the satisfaction of Edwards and Harding Petroleum Company.

(6) Edwards and Harding Petroleum Company, in addition to any other rights afforded such party under the laws of Virginia, shall have a lien on the mineral leasehold estate or rights owned by the other well operators involved herein in the unit covered hereby and upon their shares of the production from the well covered hereby to the extent that costs incurred in the development and operation of the drilling unit involved herein are a charge against such interests. Such liens shall be separable as to each separate well operator and shall remain a lien until all costs incurred in connection with the well have been paid. Upon the failure or refusal of any participating well operator to pay such well operator's proportionate part of any cost incurred hereunder in connection with the well covered hereby, Edwards and Harding Petroleum Company shall be entitled to receive the share of

production from the well accruing to such defaulting participating well operator's interest in the unit involved herein, or the proceeds from such share, until such proportionate part of such cost has been paid. No part of the production or proceeds accruing to any participating well operator shall be applied toward payment of costs chargeable to any other interest in such unit. If any participating well operator fails or refuses to pay such well operator's proportionate share of the cost incurred hereunder in connection with the well covered hereby within sixty (60) days after rendition of a statement therefore by Edwards and Harding Petroleum Company, the non-defaulting participating well operators, including Edwards and Harding Petroleum Company, shall, upon request by Edwards and Harding Petroleum Company, pay the unpaid amount in the proportion that the interest of each such non-defaulting participating well operator bears to the total interests of all such non-defaulting well operators. In such event, each non-defaulting participating well operator so paying such well operator's share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the lien rights described above.

(7) If the well involved herein has not been commenced as of the date of this Order, Edwards and Harding Petroleum Company shall commence or cause to be commenced operations on such well within three hundred and sixty-five days (365) days from the date of this Order and in any event, shall continue or cause to be continued operations under this Order with due diligence; otherwise, the

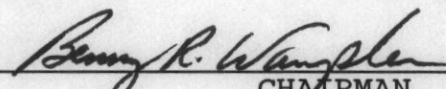
provisions thereof shall be inoperative and this Order shall terminate, except for any cash sums becoming payable hereunder, unless the time of commencement of such operation is extended by an Order of the Board.

(8) Based upon the evidence presented, Edwards and Harding Petroleum Company is hereby granted an exception to the statewide spacing requirements and authorized to drill Well EH-27 within 2396.87 feet of existing Well EH-23.

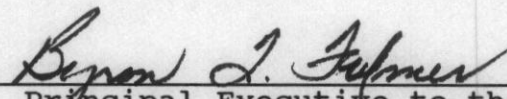
(9) Edwards and Harding Petroleum Company shall cause a certified copy of this Order to be mailed to the last known address of each well operator as listed in this Order.

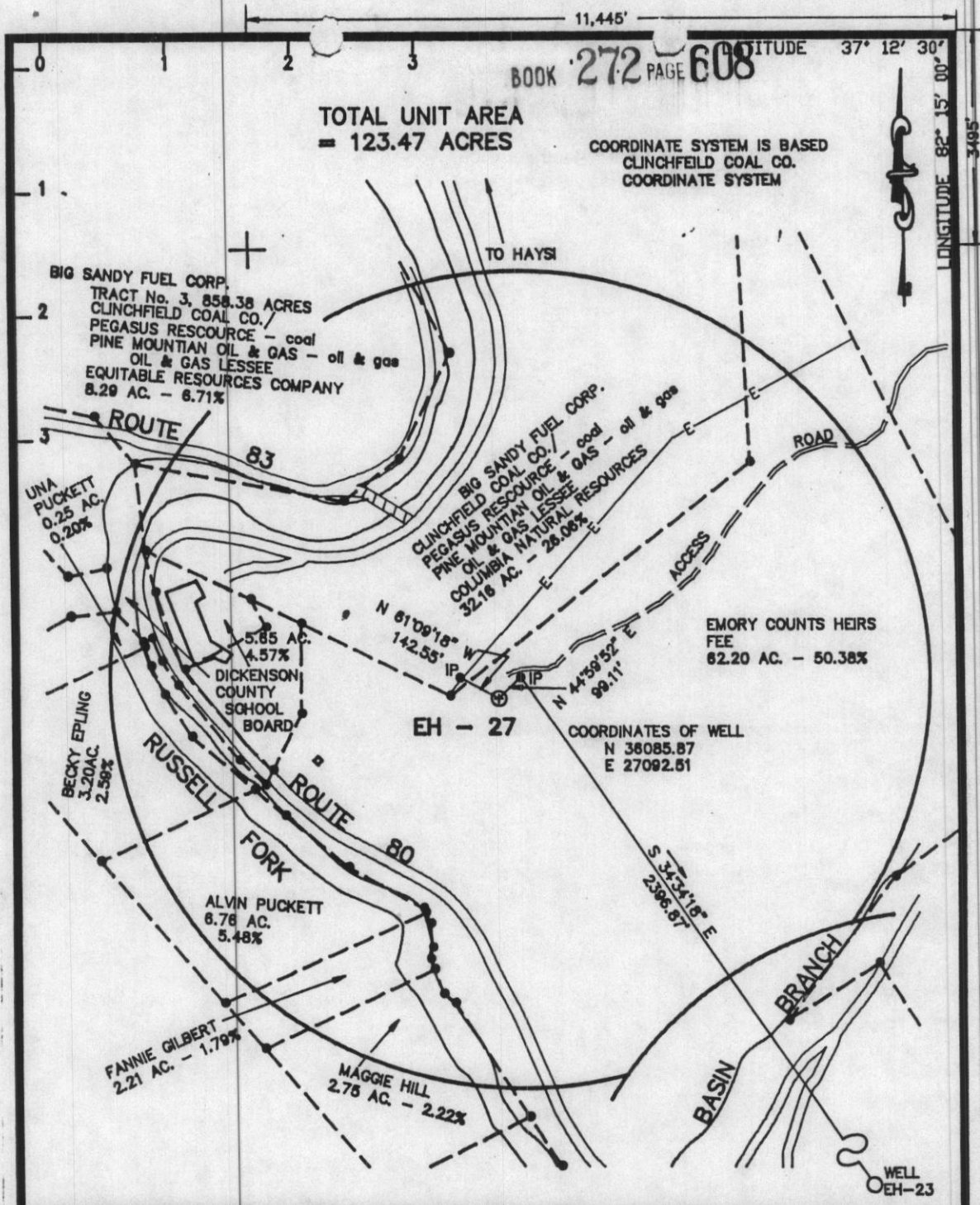
The relief granted by this Order is to avoid the drilling of unnecessary wells, prevent the various types of waste or oil and gas and protect the correlative rights of all owners with respect to the pools in the drilling unit involved herein.

All members present and in agreement done and executed this
6th day of May, 1991.


 CHAIRMAN

Done and performed this 6th day of May,
 1991, by order of this Board.


 Principal Executive to the Staff,
 Virginia Gas and Oil Board



COMPANY Edwards & Harding Petroleum Company

ADDRESS P.O. Box 2404 Abingdon, Virginia 24210

WELL NAME EH-27

FARM EMORY COUNTS HEIRS TRACT

LEASE NO. ELEVATION 1642.77 (Trig)

ACRES QUADRANGLE Hays

COUNTY Dickenson DISTRICT Sandlick

REG. ENGINEER X REG. NO. 8106

CERT. LAND SURVEYOR X CERT. NO. 1340

FILE NO. DRAWING NO.

DATE DECEMBER 7, 1990 SCALE 1" = 400'

This plot is X new updated
this plot X is not based on a mine coordinate
system established for the area of the well location

WELL LOCATION MAP WELL NO. EH - 27

Denotes location of well on United States
Topographic Maps, scale 1 to 24,000, lat-
itude and longitude lines being represented
by border lines as shown

CERTIFICATION OF WELL PLAT
I, the undersigned, hereby certify that this
plat is correct to the best of my knowledge
and belief, and shows all the information
required by law and regulations of the
Va. Well Review Board.

B. J. Jones 12/7/90
Registered Engineer or Certified
Land Surveyor in Charge

State of Virginia
County of Washington

Acknowledged on this 6th day of May, 1991,
personally before me a notary public in and for the State of Virginia
appeared Benny Wampler, being duly sworn did depose and say that he is
Chairman of the Virginia Gas and Oil Board, that he executed the same and
was authorized to do so.

Diane J. Davis
Diane Davis
Notary Public
My commission expires 9/23/92

State of Virginia
County of Washington

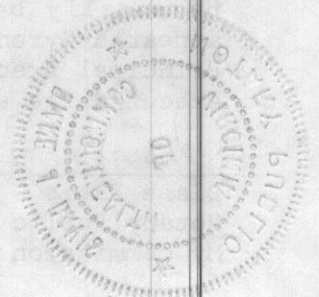
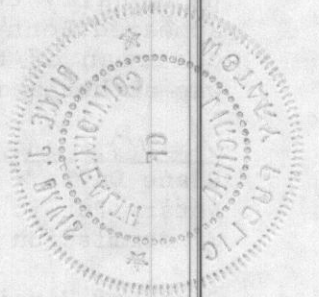
Acknowledged on this 6th day of May, 1991,
personally before me a notary public in and for the State of Virginia
appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is
Principal Executive to the Staff of the Virginia Gas and Oil Board, that he
executed the same and was authorized to do so.

Diane J. Davis
Diane Davis
Notary Public
My commission expires 9/23/92

VIRGINIA. In the Clerk's Office of the Circuit Court of Dickenson County. The foregoing instrument was this
day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to
record this 7th day of May, 1991 3:07 P M.
Deed Book No. 272 and Page No. 591.

TESTE: [Signature] Clerk

BOOK 575 PAGE 603



Clerk's Office Circuit Court
Dickenson County, Virginia
Filed and admitted to record,
this 1 day of May 19 91
at 3:07 P M
Recorded: Deed Book P M

039 State Tax \$
213 County Tax \$
212 Transfer \$
301 Recording \$ 29.00
038 State Tax \$
\$ 58.54 (b) \$

220 Local Tax \$
\$ 58.54 (b) \$
223 Local Tax \$
\$ 58.54 (b) \$
Total \$ 29.00

Teste: [Signature] Clerk
[Signature] D.C.